

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BLUE GRASS RURAL ELECTRIC)
COOPERATIVE CORPORATION AND FOX CREEK)
RURAL ELECTRIC COOPERATIVE CORPORATION FOR) CASE NO. 97-424
AN ORDER APPROVING CONSOLIDATION OF THE)
TWO (2) NAMED RURAL ELECTRIC COOPERATIVES)

O R D E R

IT IS ORDERED that Blue Grass Rural Electric Cooperative Corporation and Fox Creek Rural Electric Cooperative Corporation ("Blue Grass and Fox Creek") shall file the original and 6 copies of the following information with the Commission no later than December 2, 1997, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

1. Refer to the response to the Commission's November 11, 1997 Order, Item 1(a).
 - a. Explain why Blue Grass' net margins for the 12 months ending August 31, 1997 are so much lower than the two previous calendar years.
 - b. Explain why Fox Creek's net margins for the 12 months ending August 31, 1997 are so much higher than the two previous calendar years.

2. Refer to the response to the Commission's November 11, 1997 Order, Item 1(f).

a. Were the special membership meeting costs incurred by Blue Grass and Fox Creek each cooperatives' actual costs, the allocation of common costs, or a combination of actual and allocated costs?

b. If all costs were actual, explain why Blue Grass' costs were so much higher than Fox Creek's.

c. If all costs were allocated, describe the allocation method(s) utilized.

d. If all costs were a combination of actual and allocated, indicate how much of each cooperatives' total was actual and how much was allocated. Describe the method(s) of cost allocation utilized.

3. Refer to the response to the Commission's November 11, 1997 Order, Items 4 and 5. A comparison of the two sets of organizational charts indicates that a few employees from each cooperative will not have positions in the new Blue Grass Energy Cooperative Corporation ("Blue Grass Energy"). For each employee listed below, indicate whether the employee will be retiring, terminated, or employed in some other manner with Blue Grass Energy.

a. Blue Grass - R/W Coordinator James Bowman.

b. Fox Creek - Manager Operations Fred Coke.

c. Fox Creek - Service Representative Harry Morris.

d. Fox Creek - Member Services Advisor Joyce Warren.

e. Fox Creek - Payroll & Plant Accountant Linda Baxter.

4. Refer to the response to the Commission's November 11, 1997 Order, Item 5. The organizational chart for Blue Grass Energy contains 81 positions. Explain how it was determined that this was the appropriate staff size for the new cooperative. Include copies of any analyses or studies Blue Grass and Fox Creek utilized in determining the staffing size.

5. Refer to the response to the Commission's November 11, 1997 Order, Item 7(a). The response states that prior to each board meeting, the former Fox Creek directors will perform a random drawing to determine the directors voting at that meeting.

a. Explain how Blue Grass Energy determined this approach was the most reasonable.

b. Are Blue Grass or Fox Creek aware of any other cooperatives which have used this approach in dealing with more directors than directors' votes? Identify each cooperative Blue Grass and Fox Creek are aware of where this approach was used.

c. Will each Fox Creek director have to be present to participate in the random drawing?

d. Will each Fox Creek director who appears to participate in the random drawing be paid the same compensation as any other voting director of Blue Grass Energy?

6. Refer to the response to the Commission's November 11, 1997 Order, Item 7(c). The response states that the goal of Blue Grass Energy's board of directors is to reduce the size of the board to less than eleven.

a. What size of board does Blue Grass Energy consider to be the most appropriate?

b. Has Blue Grass Energy considered undertaking a study to determine the optimal size of its board? Explain the response.

7. Refer to the response to the Commission's November 11, 1997 Order, Item 8(b).

a. Is it correct that the \$939,706 payment reflects the capital credits earned but unpaid for Fox Creek members from 1948 through 1978?

b. Explain the basis for the statement "More than 50 percent of the capital credit refunds will be returned."

8. Refer to the response to the Commission's November 11, 1997 Order, Item 9(b).

a. Provide copies of the 1995-2005 financial forecasts for Blue Grass and Fox Creek.

b. Was a consolidation study prepared by Mark A. Harper based on the 1995-2005 financial forecast?

(1) If yes, provide a copy of this consolidation study.

(2) If no, explain why the 1995-2005 financial forecasts were not used as the basis for a consolidation study.

9. Refer to the response to the Commission's November 11, 1997 Order, Item 10, page 2 of 2.

a. What is the planned resolution of the difference between the cooperatives concerning dental coverage?

b. Concerning health benefit plans and life insurance coverage offered by Blue Grass Energy, was any consideration given to previous Commission decisions relating to the ratemaking treatment of directors' health benefit plans and life insurance for the cooperative's employees and attorney? Explain the response.

10. Refer to the response to the Commission's November 11, 1997 Order, Item 12(a). The response did not answer the question. Blue Grass and Fox Creek were asked to explain what the utility plant reduction calculation was intended to represent. The response refers to the specific plant additions and reductions included in the consolidation study. The original request sought information about the concept of "utility plant reduction" and how it was used in the consolidation study. Given this clarification, provide the originally requested information.

11. Refer to the response to the Commission's November 11, 1997 Order, Item 15(a).

a. When did East Kentucky Power Cooperative, Inc. adopt Section 4.025?

b. How long is the transition period envisioned for Blue Grass Energy?

c. Name the regular and alternate director for Blue Grass.

d. Name the regular and alternate director for Fox Creek.

e. If available, name the transitional voting regular director and the transitional alternate director for Blue Grass Energy. If not currently named, when does Blue Grass Energy plan to name these transitional directors?

Done at Frankfort, Kentucky, this 25th day of November, 1997.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director